

FULL YEAR RESULTS AND DEVELOPMENTS 2017

6 March 2018

CONTENTS



- 1 Highlights & progress strategy 2017
- 2 Developments solutions segments
- 3 Financial performance
- 4 Outlook
- 5 Questions & answers

HIGHLIGHTS &
PROGRESS STRATEGY
2017

ALEXANDER VAN DER LOF (CEO)



(in million € unless stated otherwise)	Q4 2017	Q4 2016	Δ in %
Turnover	386.1	362.3	+ 6.6%
EBITA before one-off expenses ¹⁾	43.2	46.2	- 6.5%
ROS	11.2%	12.8%	
Net profit before amortization ²⁾ and one-off income and expenses ¹⁾ attributable to shareholders	28.7	30.8	- 7.0%

(in million € unless stated otherwise)	2017	2016	Δ in %
Turnover	1,484.5	1,341.0	+10.7%
EBITA before one-off expenses ¹⁾	150.8	146.5	+2.9%
ROS	10.2%	10.9%	
Net profit before amortization ²⁾ and one-off income and expenses attributable to shareholders ¹⁾	96.6	94.4	+2.4%
Earnings per ordinary share before amortization ²⁾ and one-off income and expenses ¹⁾	€ 2.30	€ 2.25	
Dividend (proposal) per share	€ 1.20	€ 1.10	
ROCE	19.8%	20.1%	

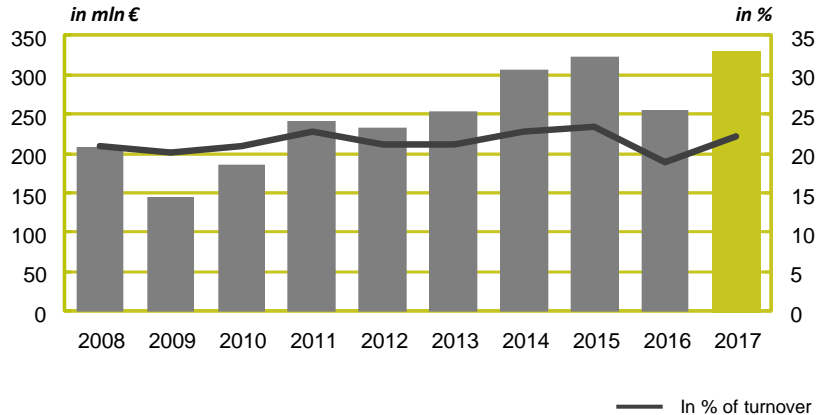
¹⁾ See page 20 for further details.

²⁾ Amortization of intangible non-current assets related to acquisitions (after tax).

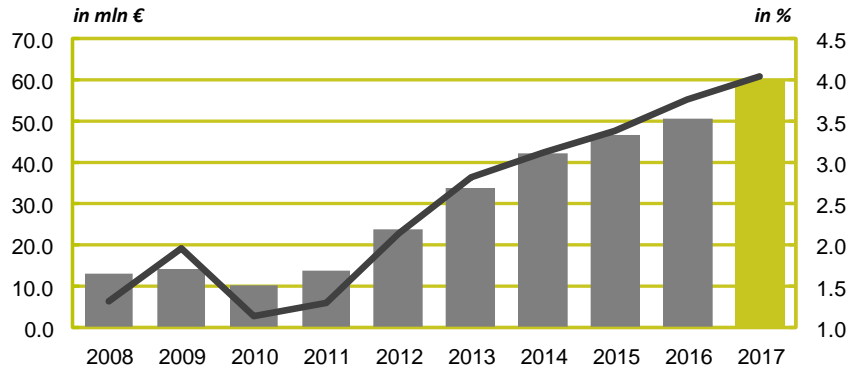
- Turnover growth of 10.7% (Q4: 6.6%)
 - Organic +8.8% (Q4: 5.5%)
 - Turnover growth vertical growth markets: +12.1%
 - Innovations in turnover: 22.2%
- EBITA growth before one-off expenses of 2.9% (Q4: -6.5%), despite high start-up costs and increase capacity for planned growth in vertical growth markets
- Increase of R&D expenditure to € 59.9 million (+19.1%) - in line with objective to further develop technology leadership
- One-off expense in 2017 of € 6.3 million - announced program for further focus on core activities and improve returns
- Net profit before amortization and one-off income and expenses attributable to shareholders € 96.6 million (+2.4%) - in line with communicated bandwidth of € 92 - € 97 million

GOOD PROGRESS IN STRATEGY EXECUTION IN 2017

Turnover from innovations



R&D expenditure



> Intensified focus:

- Several innovation projects still in development and roll-out phase - only limited contribution to turnover growth
- Less profitable activities reorganized to reduce operating costs and increase further focus
- Discontinuation of certain distribution activities that offer no added value for proposition in vertical growth markets

> Strategic important milestones achieved with great potential:

- Further increase market share among top-5 tire manufacturers
- Expansion of market share in consumer electronics manufacturers with machine vision technology
- Roll-out of first projects for airfield ground lighting ('AGL') portfolio based on disruptive CEDD technology
- Start-up of subsea production

> R&D, operational and commercial organizations have been strengthened to respond to expected growth

BUILDING BLOCKS GIVES A STRONG BASIS FOR STRATEGY EXECUTION



Fibre Optic Networks	Care	Parking	Tunnel & Infra	Marine & Offshore	Machine Vision	Tire Building
Market share growth France / Germany / Nordics / Poland	Internationalization Homecare & Community platform	Differentiation via smart-sensor / CCTV to 'frictionless' parking	Airfield Ground Lighting-technology based on CEDD-technology	Connectivity-solutions for subsea	High market growth 2D-inspectie in combination with innovations	Market share growth within Top 5- tire manufacturers
Robot solutions for patching - SAODF	Internationalization of integrated vision & security solutions for hospitals	Internationalization of integrated vision & security solutions for parking garages	Internationalization of integrated vision & security solutions for tunnels	Internationalization of integrated vision & security solutions	High market growth 3D-inspection in combination with innovations	Market share growth 'tire component preparation', Truck Tires & 'Light Truck tire manufacturing'
Smart security solutions for POP's	Blistering-technology for pharmacy – INDIVION	Market growth and TKH positioning North-America / Europe / Australia / Middle East	Market share growth Benelux / Nordics	Internationalization of connectivity-solutions	Market share growth North-America / Europe / Asia	New tire building platform UNIXX & MILEXX
	Dispenser-technology for medicines			Special portfolio 'mission critical' communication	Medical and tire building inspection systems	Increase share in turnover Service & Spare parts business

GOOD PROGRESS OF EXECUTION OF PLANS LEADS TO UPGRADE OF TARGETS

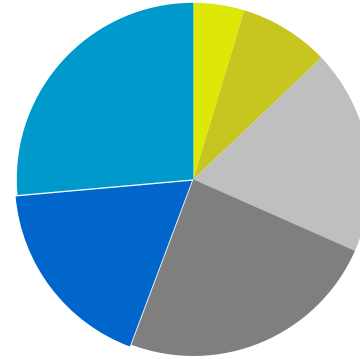
Turnover (in € millions)	2012	2016	2017	Growth scenarios	
Fibre Optics Network	80	109	127	175	200
Parking	20	55	47	75	100
Tunnel & Infra	30	43	48	100	150
Marine & Offshore	20	53	58	100	125
Care	30	43	52	70	100
Machine Vision	95	111	127	250	300
Tire Building Industry	175	259	297	450	550
Growth verticals	450	674	756	1,220	1,525

- Continuation internal investments in Machine Vision, Tunnel & Infra and Tire Building, but on lower level than in recent years - based on growth opportunities
- Expansion production capacity in 2018 for fibre optic networks and high-grade industrial cable systems - based on identified opportunities to increase market share
- Adjusted growth target bandwidth:
 - Fibre Optic Networks to € 175 - € 200 million - increased global market demand with growth acceleration in Europe - strong market positions
 - Machine Vision to € 250 - € 300 million - market demand increases rapidly for applications with vision technology - breakthrough in consumer electronics market - positive feedback on potential embedded 2D camera technology
- Expectation that turnover in 7 vertical growth markets can grow by € 300 - 500 million over the next 3-5 years - mainly organic growth > 80%
- Focus vertical growth markets - acceleration realization ROS and ROCE target - medium-term targets adjusted upwards

	2016	2017	Previous targets	Updated targets (mid term)
ROS	10.9	10.2	11 -12%	12 - 13%
ROCE	20.1	19.8	20 - 22%	21 - 23%
NET debt / EBITDA	1.0	0.9	<2.0	<2.0

DEVELOPMENTS SOLUTIONS SEGMENTS 2017

Turnover per segment (in %)



	2017	2016
Telecom Solutions	12.9%	12.6%
Indoor Telecom & copper Solutions	4.6%	5.2%
Fibre Network Systems	8.3%	7.4%
Building Solutions	42.8%	42.8%
Connectivity Systems	18.7%	16.6%
Vision & Security Systems	24.1%	26.3%
Industrial Solutions	44.3%	44.6%
Connectivity Systems	17.9%	18.3%
Manufacturing Systems	26.4%	26.2%

(in million € unless stated otherwise)	2017	2016	Δ in %
Turnover	191.5	168.5	+ 13.6%
EBITA	25.9	17.9	+ 44.8%
ROS	13.5%	10.6%	



Fibre network systems: turnover share 8.3%

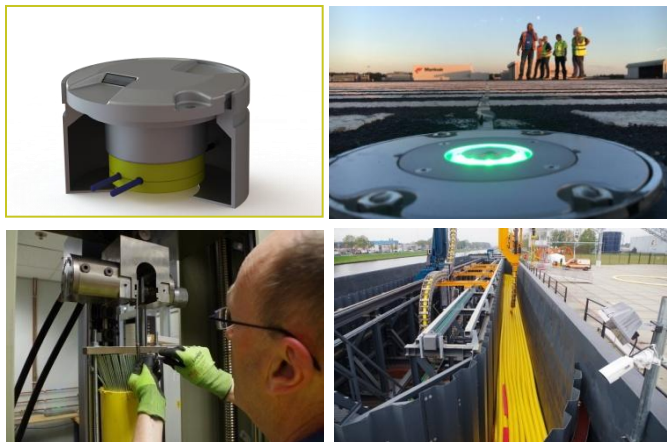
- Organic turnover growth: +24.9%
- Continued high level of demand – improved price level
- Higher turnover in Germany, Poland, France and the Nordics
- France: strengthening of sales organization and launch new designed portfolio - market share growth
- High capacity utilization and efficiency improvements - positive impact on result

Indoor telecom & copper networks: turnover share 4.6%

- Organic turnover growth: -1.1%
- Decline investments in copper networks due to a shift of investments to optical fibre networks
- Margin increase on the back of improved product mix

(in million € unless stated otherwise)	2017	2016	Δ in %
Turnover	635.5	574.9	+ 10.5%
EBITA ¹⁾	51.4	62.4	- 17.6%
ROS	8.1%	10.9%	

¹⁾ Excluding one-off income and expenses



Connectivity systems: turnover share 18.7%

- Organic turnover growth: +19.2%
- Increased market volume in construction and infra sector
- Increased demand for data cable systems
- Roll-out of CEDD technology for airfield ground lighting (Tunnel & Infra)
 - Successful integration of TKH technologies and competencies
 - Expansion operational organization and R&D - negative impact on EBITA
 - Airports show great deal of interest in this disruptive technology
- Turnover growth in Marine & Offshore
 - Subsea cable systems: start-up costs and learning curves for new production facility - contribution to turnover limited - negative impact on EBITA

(in million € unless stated otherwise)	2017	2016	Δ in %
Turnover	635.5	574.9	+ 10.5%
EBITA ¹⁾	51.4	62.4	- 17.6%
ROS	8.1%	10.9%	

¹⁾ Excluding one-off income and expenses

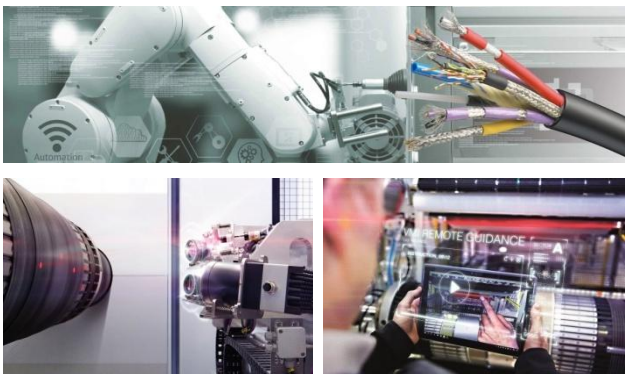


Vision & Security systems: turnover share 24.1%

- > Organic turnover growth: +0.7%
- > Security vision
 - Margin pressure in some segments leads to decreased profitability and restructuring
- > Machine vision - strong growth in H1
 - Breakthrough at consumer electronics manufacturers - distinctive 3D technology led to sharp increase in our position - good growth perspective for coming years
 - Successful introduction embedded 2D camera technology mid-2017 - large-scale roll-out of new generation of technology in Q3 2018
 - Expansion commercial and R&D organization
- > Parking
 - Delay in order intake and delivery
 - Expansion organization ahead of expected growth
 - Upgrade technology parking guidance systems - one-off costs in mainly H1
 - Negative impact on EBITA

(in million € unless stated otherwise)	2017	2016	Δ in %
Turnover	657.5	597.6	+ 10.0%
EBITA ¹⁾	89.4	79.5	+12.4%
ROS	13.6%	13.3%	

¹⁾ Excluding one-off income and expenses



Connectivity systems: turnover share 17.9%

- Organic turnover growth: +3.8% - mainly realized in medical and robot industries
- Expansion of production capacity for high-grade industrial cable systems in 2018 due to growing demand for robot systems
- Continued investments in R&D respond to trend towards miniaturization and extension of lifespan of cable systems for advanced manufacturing systems

Manufacturing systems: turnover share 26.4%

- Organic turnover growth: +11.4% - due to higher order intake over past quarters - engineering and production on higher level
- Focus and expansion of services also contributed to growth
- Order intake 2017: € 346 million (2016: € 281 million)
 - Number of expected orders shifted over year-end 2017
 - Continued recovery Chinese market
 - Market share growth within top-5 tire manufacturers
- Large share of new developed equipment and specific developments for top-5 tire manufacturers - high share of engineering activities
- Order book at year-end 2017 better filled than last year

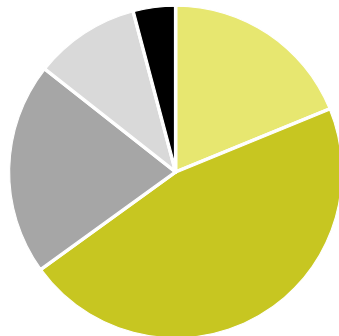
FINANCIAL
PERFORMANCE
2017

ELLING DE LANGE (CFO)



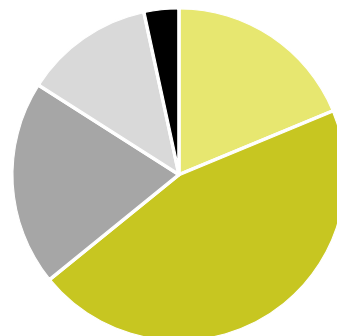
GEOGRAPHICAL DISTRIBUTION OF TURNOVER

Geographical distribution of turnover (in %)



2017

	Netherlands	19
	Europe (other)	46
	Asia	21
	North America	10
	Other	4



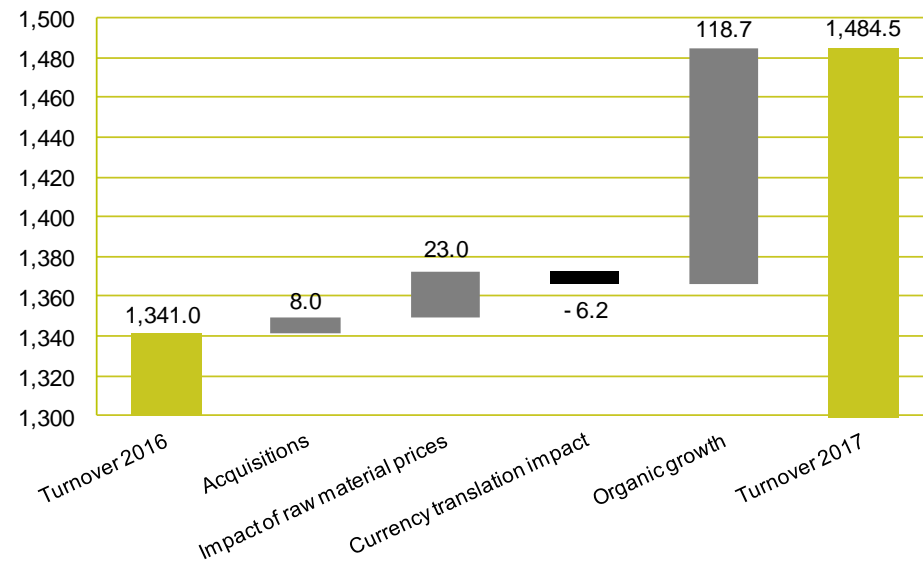
2016

	Netherlands	19
	Europe (other)	45
	Asia	20
	North America	13
	Other	3

TURNOVER AND GROSS MARGIN

(in € million)	2017		2016		Δ in %
Turnover	1,484.5		1,341.0		+10.7%
Raw materials and subcontracted work	-814.8		-709.7		
Gross margin	669.7	45.1%	631.3	47.1%	+6.1%

Change in turnover (in € million)



- Organic revenue growth of 8.8%
- Revenue from acquisitions :
 - Redline Manufacturing CNC (April 2017)
 - Jacques Technologies (July 2017)
- Gross margin decreased to 45.1% (2016: 47.1%)
 - Change in product mix
 - Higher raw material prices
 - Material consumption for start-up subsea production capacity
 - One-off costs associated with the upgrading of technology for parking guidance systems

OPERATING EXPENSES AND EBITA

(in € million)	2017		2016		Δ in %
Turnover	1,484.5		1,341.0		+10.7
Raw materials and subcontracted work	-814.8		-709.7		
Gross margin	669.7	45.1%	631.3	47.1%	+6.1
Operating expenses	-518.9		-484.8		+7.0
EBITA before one-off expenses	150.8	10.2%	146.5	10.9%	+2.9

- Operating expenses decreased as a percentage of turnover to 35.0% (2016: 36.1%), but increased in value by 7.0% due to:
 - Higher production level
 - Start-up costs for the subsea production capacity
 - Expansion with new production site in Poland for tire building machines
 - Expansion of production capacity in Canada and Germany for vision technology
 - Expansion of R&D and commercial organization – R&D expenses increased to € 59.9 million (2016: € 50.3 million), of which approximately 51% was capitalized as development costs
 - Acquisitions increased costs by 1.0%
 - Increase depreciation with € 2.7 million due to high level of investments in recent years
- EBITA growth before one-off expenses: 2.9%
- ROS: 10.2% (2016: 10.9%)

ITEMS BELOW EBITA

(in € million)	2017		2016		Δ in %
EBITA before one-off expenses	150.8	10.2%	146.5	10.9%	+2.9
Amortization	-36.5		-32.6		
Impairments ¹⁾	-1.8		-0.8		
One-off expenses ¹⁾	-6.3				
Operating result	106.2		113.1		
Financial expenses	-8.0		-7.6		
Result from associates	0.9		0.5		
Result from available-for-sale financial assets ¹⁾	6.3		0.4		
Change in value financial liabilities ¹⁾	3.9		0.6		
Result before taxes	109.3		107.0		
Taxes	20.7		19.7		
Net profit	88.6	6.0%	87.3	6.5%	+1.4

- Increase amortization due to higher investments in R&D
- Increase financial expenses
 - Improved interest rates result in € 0.7 million lower interest charges
 - Negative exchange differences
- Improved result from other associates mainly due to 12.5% interest Chinese preform Joint Venture (ShinEtsu - Fasten)
- Result from available-for-sale financial assets includes book profit of € 5.8 million due to disposal of 5.06% interest in Nedap
- Increase tax rate to 19.0% (2016: 18.4%)
 - Change in value financial liabilities and result from available-for-sale financial assets are tax exempt
 - US tax reform had a tax-increasing effect of € 1.8 million due to lower valuation of deferred tax assets
 - Fiscal R&D facilities, such as the Dutch innovation box facility had a reducing effect on effective tax rate
 - In 2016, one-off tax benefit of € 2.7 million

¹⁾ Included in one-off income and expenses – further disclosed on the next page

NORMALIZED RESULT

(in € million)	2017	2016	Δ in %
Net profit	88.6	87.3	+1.4%
Amortization of intangible non-current assets from acquisitions	15.2	15.8	
Taxes on amortization	-4.2	-4.2	
Profit before amortization	99.6	98.9	
Restructuring costs	6.3		
One-off income due to sale of Nedap shares	-5.8		
Impairments	1.8	0.8	
Change in value financial liabilities	-3.8	-0.6	
Tax effect on one-off items	-2.1	-0.4	
One-off tax charge/(benefit)	1.8	-2.7	
Profit before amortization and one-off income and expenses	97.8	96.0	
Less: non-controlling interests	-1.2	-1.6	
Net profit before amortization and one-off income and expenses attributable to shareholders	96.6	94.4	+2.4%

- Restructuring costs of € 6.3 million
 - Less profitable activities reorganized to reduce operating costs and increase further focus
 - Discontinuation of certain distribution activities that offer no added value for proposition in vertical growth markets
- Book profit of € 5.8 million due to disposal of 5.06% interest in Nedap
- Impairments of € 1.8 million on capitalized R&D projects and surplus lease
- Change in value financial liabilities of € 3.9 million
 - Agreement on settlement with former minority shareholders of Augusta Technologie AG in squeeze-out procedure - settlement lower than anticipated - one-off untaxed income of € 2.2 million
 - Release earn-out liabilities
- US tax reform had a tax-increasing effect of € 1.8 million

BALANCE SHEET AS OF 31 DECEMBER 2017

(in € million)	31-12-2017	31-12-2016
Assets		
<u>Non-current assets</u>		
Intangible non-current assets	392.2	395.5
Tangible non-current assets	229.2	213.1
Investment property	0.3	1.5
Financial non-current assets	13.5	25.2
Deferred tax assets	21.8	20.8
<u>Current assets</u>		
Inventories	233.6	206.9
Construction contracts	86.8	100.6
Receivables	220.2	194.4
Cash and cash equivalents	87.7	88.5
Total	1,285.3	1,246.5

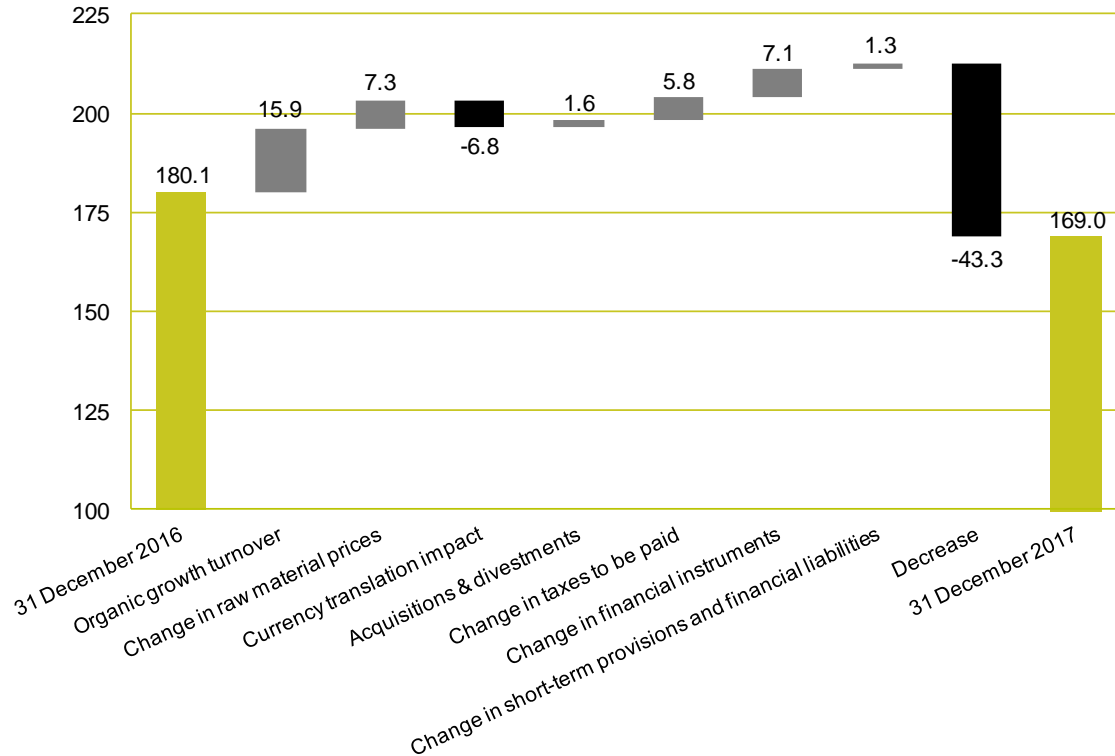
- Cash and cash equivalents includes € 42.0 million (2016: € 29.8 million) that are part of a balance and interest compensation schemes
- Solvency of 46.9% (2016: 46.7%)

(in € million)	31-12-2017	31-12-2016
Equity and liabilities		
<u>Group equity</u>		
Shareholders' equity	594.1	574.0
Non-Controlling interests	8.4	8.5
<u>Non-current liabilities</u>		
Non-current liabilities	187.3	213.9
Financial liabilities	2.9	9.7
Non-current provisions	63.6	66.6
<u>Current liabilities</u>		
Borrowings	57.4	52.0
Construction contracts	60.3	45.8
Current financial liabilities	11.8	13.2
Current liabilities	299.5	262.8
Total	1,285.3	1,246.5

- Financial covenants
 - Net debt, based on financial covenants as agreed with banks, of € 157.8 million (2016: € 166.1 million)
 - Net debt/EBITDA of 0.9 (2016: 1.0), interest coverage ratio is no longer applicable

WORKING CAPITAL

Changes in working capital (in € million)



➤ Decrease working capital as percentage of turnover to 11.4% (2016: 13.4%)

➤ Use of non recourse factoring:

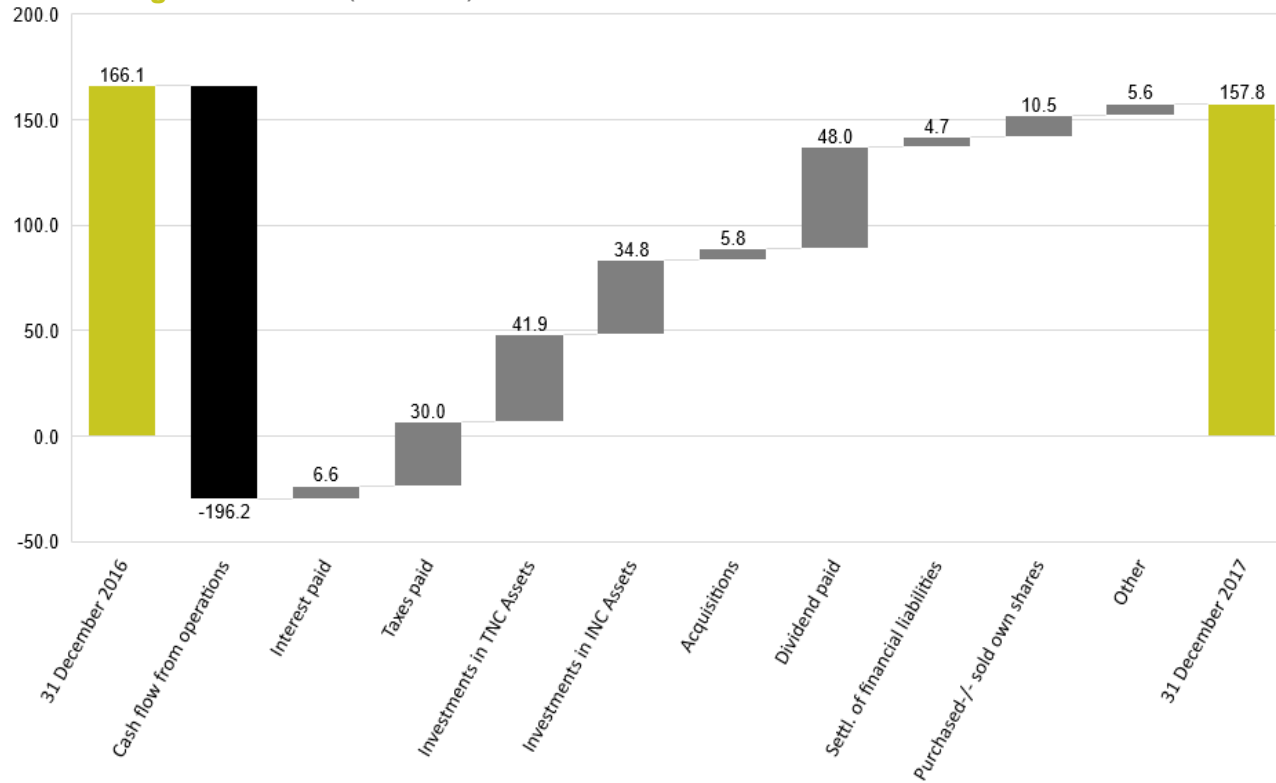
31-12-17	€ 50.9 million
30-06-17	€ 52.8 million
31-12-16	€ 45.1 million

➤ Use of supply chain finance:

31-12-17	€ 47.1 million
30-06-17	€ 36.6 million
31-12-16	€ 26.6 million

CASH FLOW STATEMENT

Change in net debt (in € million)



- > Cash flow operations positively impacted by reduction of working capital
- > Investments
 - Large part related to production sites, including expansion of capacity for sub-segments vision & security systems, building connectivity systems and manufacturing systems
 - Investments intangible assets mainly in R&D, patents, licenses and software.
- > Cash dividend of € 1.10 per share, related to 2016, paid out in 2017

OUTLOOK

ALEXANDER VAN DER LOF (CEO)



We expect, unforeseen circumstances, the following developments per business segment for the year 2018:

> Telecom Solutions

- Increase investments in optical fibre networks in Europe and China
- TKH investments in market penetration within Europe in recent years - growth potential for TKH primarily in Europe
- Capacity expansions will have limited effect in 2018 and will materialize from 2019
- For 2018, further growth is expected

> Building Solutions

- Connectivity Systems: Further growth in Marine & Offshore through contribution of subsea cable system activities. Roll-out of CEDD technology for airfield ground lighting well on track. Despite the fact that there will still be start-up costs in 2018, costs will continue to normalize
- Vision & Security Systems: Reluctance in Machine Vision for investments by consumer electronics manufacturers. Further market share growth with advanced technology. Expectation improvement in turnover and result in Parking. The implemented restructurings will show profit improvement

> Industrial Solutions

- Connectivity Systems: Increased investments in industrial sector -robotics and automation- positive growth perspective. Due to available capacity, this growth will mainly be in H2
- Manufacturing Systems: Better filled order book at the end of 2017. High order intake in 2017 in combination with new machines and increased penetration within top-5 tire manufacturers require relatively large amount of engineering activities, but offer prospects for further growth. Realized expansion of production capacity in combination with normalization of share of engineering activities will lead to higher production level and thus growth of result

TKH will give a concrete forecast for the full-year 2018 profit at the presentation of its interim results in August 2018

QUESTIONS & ANSWERS





TKH Group the solution provider <

Disclaimer

Statements included in this press release that are not historical facts (including any statements concerning investment objectives, other plans and objectives of management for future operations or economic performance, or assumptions or forecasts related thereto) are forward-looking statements. These statements are only predictions and are not guarantees. Actual events or the results of our operations could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements are typically identified by the use of terms such as "may," "will," "should," "expect," "could," "intend," "plan," "anticipate," "estimate," "believe," "continue," "predict," "potential" or the negative of such terms and other comparable terminology.

The forward-looking statements are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements.